

Message Text

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EXIMBANK

DRAFTED BY EXIM: J C FLEIG: DJG
APPROVED BY EB/IFD/ODF;FHTHOMAS
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EXIM: D O BEIM
EUR/EE: GTBOUTIN
-----141928Z 003848 /73
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FM SECSTATE WASHDC
TO AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: EGEN

SUBJECT: EXIMBANK COMMUNICATIONS WITH BANK HANDLOWY

1. EXIMBANK PROVIDES THE FOLLOWING SUMMARY OF RECENT DEVELOPMENTS IN COOPERATION WITH BANK HANDLOWY AND REQUESTS EMBASSY ASSISTANCE.

2. ON APRIL 18, EXIMBANK SENT THE FOLLOWING TELEX TO MR. WOLOSZYN OF BANK HANDLOWY: QUOTE DURING MY VISIT WITH LIMITED OFFICIAL USE

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YOU LAST MONTH WE DISCUSSED OUR INTEREST IN HOW POLAND IS MANAGING NEW INVESTMENT PRIORITIES IN POLAND, WITH PARTICULAR ATTENTION TO THEIR EFFECTS ON THE POLISH EXTERNAL DEBT AND TRADE BALANCE. WE NOTED THAT POLISH AUTHORITIES ARE CAREFULLY MONITORING AND REEVALUATING PROJECT APPROVALS, AND YOU SUGGESTED THAT THESE STEPS WOULD BE REFLECTED IN THE LEVELS OF REQUESTS FOR NEW CREDIT FROM EXIMBANK AND OTHER SOURCES. WE WOULD LIKE TO COOPERATE WITH YOUR EFFORTS TO CONTROL NEW DEBT LEVELS.

AS YOU KNOW, EXIMBANK HAS, SINCE MID-1976, EXTENDED PRELIMINARY COMMITMENTS (PC'S) TO U.S. SUPPLIERS WHO ARE BIDDING ON POLISH CONTRACTS. WE ALSO CAN ISSUE PC'S DIRECTLY TO BANK HANDLOWY. WHEN WE AUTHORIZE A PC WE MAKE AN ALLOCATION FROM OUR TOTAL AVAILABLE LENDING

RESOURCES TO THAT PROJECT, EVEN THOUGH WE DO NOT KNOW AT THE TIME OF THE PC WHETHER A CREDIT WILL BE AUTHORIZED. THIS PC PROCEDURE HAS BEEN HELPFUL TO U.S. SUPPLIERS WHO ARE REQUIRED BY POLISH FOREIGN TRADE ORGANIZATIONS TO INCLUDE FINANCING IN THEIR BIDS, BUT IT MEANS THAT WE ARE RESERVING LENDING AUTHORITY FOR POLAND FOR PROJECTS WHICH MAY OR MAY NOT BECOME ACTUAL EXIMBANK LOANS. AT PRESENT, FOR EXAMPLE, WE HAVE PC'S EITHER APPROVED OR UNDER CONSIDERATION FOR U.S. GOODS AND SERVICES OF DOLLARS 53 MILLION FOR A TIRE CORD PLANT AT WLOCLAWEK, DOLLARS 30 MILLION FOR AN ALUMINUM SMELTER AT SKAWINA, AS MUCH AS DOLLARS 75 MILLION FOR THE URSUS TRACTOR PLANT, DOLLARS 28 MILLION FOR WALKING BEAM SLAB REHEAT FURNACES AT THE HUTA KATOWICE STEEL WORKS, AND DOLLARS 15 MILLION FOR COMPRESSORS IN AN AMMONIA/UREA PLANT AT SZEZELIA. AS YOU KNOW, IF ALL OF THOSE PRELIMINARY COMMITMENTS WERE CONVERTED TO CREDITS, OUR TOTAL LOANS TO POLAND WOULD INCREASE BY MORE THAN 85 PERCENT.

WE THINK IT WOULD HELP YOU AND US IF WE COULD AGREE UPON LIMITED OFFICIAL USE

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SOME METHOD OF DETERMINING IN ADVANCE THOSE CASES WHICH ARE NOT LIKELY TO RESULT IN EVENTUAL CREDIT REQUESTS BECAUSE OF POLISH DECISIONS TO DEFER INVESTMENTS. WE WOULD NOT LIKE TO DISCONTINUE ISSUING PC'S TO U.S. SUPPLIERS SINCE THIS COULD PENALIZE U.S. SUPPLIERS IN THEIR CONTRACT NEGOTIATIONS WITH POLISH PURCHASERS. PERHAPS, WE COULD OBTAIN FROM BANK HANDLOWY A LISTING OF THOSE GENERAL CATEGORIES OF PROJECTS FOR WHICH EXIMBANK FUNDING IS DESIRED AND WHICH ARE DEFINITELY PROCEEDING AMONG POLAND'S LATEST PRIORITY INVESTMENTS. IF WE CONFINED OUR CONSIDERATION TO PC'S FALLING INTO THESE CATEGORIES WE WOULD NOT BE TYING UP OUR LENDING AUTHORITY IN PROJECTS WHICH ARE NOT PROCEEDING AND WHICH WOULD DETRACT FUNDS FROM PROJECTS WHICH YOU WISH TO HAVE PROCEED WITH OUR SUPPORT. THERE MAY BE OTHER POSSIBLE PROCEDURES AND WE WOULD WELCOME YOUR SUGGESTIONS. WE APPRECIATE YOUR CAREFUL CONSIDERATION AND EARLY REPLY. PENDING YOUR REPLY, WE WILL DEFER FURTHER PROCESSING ON THOSE CASES CITED ABOVE ON WHICH WE HAVE NOT YET ACTED. END QUOTE.

3. AMONG OTHER BENEFITS THE TELEX QUOTED SHOULD ELICIT FROM BANK HANDLOWY TANGIBLE EVIDENCE OF ITS INTENT TO MODIFY ITS INVESTMENT PRIORITIES AND IN SO DOING CURTAIL THE RATE OF DEMAND FOR CREDIT. TO DATE EXIMBANK HAS RECEIVED NO REPLY TO THE TELEX.

4. ON A RELATED MATTER, EMBASSY WILL RECALL CONVERSATIONS

DURING THE MARCH EXIMBANK VISIT RELATIVE TO THE CONSOLIDATION OF FINANCING REQUIREMENTS FOR SEVERAL U.S. BIDDERS SEEKING TO SUPPLY THE URSUS TRACTOR PROJECT, AND BANK HANDLOWY'S AGREEMENT WITH THE DESIRABILITY OF SUCH A CONSOLIDATION. THE BANK HANDLOWY NEW YORK REPRESENTATIVE REPORTEDLY SENT A FOLLOW-UP TELEX ON THIS SUBJECT IN EARLY APRIL, BUT NO REPLY HAS BEEN RECEIVED. HOWEVER, LIMITED OFFICIAL USE

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EXIM RECEIVED IN EARLY MAY AN APPLICATION FROM HANDLOWY FOR FINANCING FOR APPROXIMATELY 11.6 MILLION DOLLARS OF EQUIPMENT FROM ONLY ONE SUPPLIER, INGERSOLL MILLING, FOR THIS PROJECT. EXIM WONDERS WHERE THIS APPLICATION FITS IN THE CONTEXT OF THE EARLIER DISCUSSIONS, I.E., IS THIS THE EXTENT OF EXIM FINANCING REQUIRED FOR THE TOTAL PROJECT IN VIEW OF ADDITIONAL KNOWN OFFERS BEING MADE BY OTHER U.S. SUPPLIERS?

5. EXIMBANK WAS ALSO RECENTLY VISITED BY REPRESENTATIVES OF A U.S. JOINT VENTURE BIDDING ON THREE COLD STORAGE FOOD WAREHOUSES WITH AN ESTIMATED TOTAL U.S. EXPORT COST OF 50 MILLION DOLLARS. THESE REPRESENTATIVES HAD BEEN INFORMED IN POLAND THAT THIS PROJECT HAD THE HIGHEST POSSIBLE INVESTMENT PRIORITY. CAN EMBASSY ALSO ASCERTAIN WHERE THIS FITS IN THE OVERALL PICTURE OF PROJECTS DESCRIBED IN THE EXIM TELEX?

6. EXIMBANK WOULD APPRECIATE EMBASSY ASSISTANCE IN CLARIFYING ALL THESE MATTERS WITH BANK HANDLOWY IN THE COURSE OF ITS REGULAR NORMAL CONTACTS AT THE BANK. CHRISTOPHER

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